

Message Text

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FOR: OED/MEPD AND OIM

E.O. 11652: N/A

TAGS: BENC, BEXP, VE

SUBJECT: MAJOR PROJECT: CORPOZULIA STEEL PROJECT FINANCING

REF: CARCAS 1051

1. ON THE OCCASION OF INAUGURATING THE NINTH NATIONAL ASSEMBLY
OF INDUSTRIAL CHAMBERS AND ASSOCIATIONS IN MARACAIBO APRIL 5,
PRESIDENT CARLOS ANDRES PEREZ PROMISED THAT LEGISLATION WOULD BE
SENT TO THE CONGRESS THE FOLLOWING WEEK WHICH WOULD PROVIDE FOR
THE FINANCING OF THE CORPOZULIA STEEL PROJECT.

2. SOURCES IN CORPOZULIA INFORMALLY AND UNOFFICIALLY INDICATED
THAT THE PLAN WOULD CONTAIN BORROWING AUTHORITY FOR UP TO 10.5
BILLION BOLIVARS (APPROXIMATELY US \$2.5 BILLION) OVER A 10-YEAR
PERIOD TO FINANCE INFRASTRUCTURE, PORT, RAILROAD AND THE GOV
EQUITY IN THE STEEL PROJECT ITSELF. MOST BORROWINGS WOULD BE
FOREIGN.

3. FINANCE MINISTER SILVA LUONGO, ON ARRIVING AT THE CONFERENCE
ON APRIL 6, STATED TO THE PRESS THAT THE STEEL PROJECT COULD
COUNT ON FINANCING FROM THE VENEZUELAN INVESTMENT FUND (FIV)
FOR ITS EARLY STAGES, BUT WOULD HAVE ITS OWN BUDGET BEGINNING
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IN 1980, DURING HIS FORMAL PRESENTATION TO THE CONFERENCE
THE MINISTER, IN JUSTIFYING THE USE OF CREDIT FOR FINANCING
LARGE INDUSTRIAL PROJCTS, NOTED THAT CORPOZULIA'S
COAL AND STEEL PROJCTS WOULD BE FINANCED BY FIV, REGULAR
BUDGET, AND OTHER SOURCES.

4. EMBASSY COMMENT: GIVEN THE POLITICAL CAMPAIGN AND THE

IMPORTANCE OF THE STEEL PROJECT TO THE ZULIA AREA, PRESIDENT PEREZ COULD HARDLY MAKE A MAJOR ADDRESS IN MARACAIBO WITHOUT MENTIONING IT. HE APPEARS TO HAVE MADE THE MINIMUM OBESIANCE TO CORPOZULIA'S PROJECT REQUIRED BY THE POLITICAL SITUATION, WITHOUT FORMALLY COMMITTING FUNDS TO THE PROJECT.

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